

Federal climate cash has been slow to flow; The Trudeau government pledged billions to ght climate change. A Star analysis found much of that money hasn't been spent

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Body

The federal government failed to spend billions of dollars it pledged on a host of climate change initiatives in recent years, raising questions about one of Prime Minister Justin Trudeau's core policy commitments and the massive funding publicly devoted to it, a Star analysis has found.

The revelation sheds light on the sometimes stark difference between what the government intends to do and what it delivers. It also highlights concerns about whether the federal bureaucracy can meet the climate crisis with the urgency it demands, as the Trudeau Liberals boast of making \$200 billion in long-term "climate commitments" since they took office in 2015.

At stake is Canada's ability to best help avoid the worst extremes of a warming world - including mass extinctions and more damaging extreme weather - and position itself to prosper in the global shift away from burning fossil fuels that cause climate change.

"There are very real questions that we need to ask ... in terms of the government's capacity to spend, deliver programs, implement regulations at the speed and scale that the climate crisis requires," said Caroline Brouillette, executive director of Climate Action Network Canada.

By comparing money pledged in federal budgets with spending reported annually to Parliament, the Star found that government spending was slower and lower than pledged for 10 significant climate-related initiatives where it was possible to track the flow of funding. In all, \$7.78 billion was either unspent or spent slower than what was budgeted for these programs between the 2016-17 and 2021-22 fiscal years, according to the available annual reports known as Public Accounts.

The underspending occurred through initiatives to retrofit homes and buildings, produce clean fuels and develop projects to reduce emissions that cause climate change.

The government also underspent on a program to fortify Canada against the ravages of climate change, something felt keenly this spring as dangerous wildfire smoke blanketed much of the country.

But the biggest shortfall - in raw dollars - was for public transit and "green infrastructure" projects under the Investing in Canada Infrastructure Program, a major initiative that is supposed to eventually dole out \$33.5 billion in

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federal funding. The government said in the 2017 budget that it would spend at least \$5.53 billion through this program by 2021-22. But, according to the Public Accounts, the government only spent \$2.36 billion over that period.

That's 43 per cent of what was budgeted.

Other programs with spending shortfalls include the Low Carbon Economy Fund, which is meant to finance projects in areas like renewable energy production and clean tech innovation. After proposing in 2016 to spend \$2 billion on this fund over two years, the government adjusted the timeline to five years. When that target came to pass in the 2021-22 fiscal year, spending reports show roughly half, or \$1.04 billion, of the intended funding had gone out the door.

The Star put questions to the offices of five Liberal cabinet ministers responsible for the programs included in this story. Each responded separately, but generally explained that more money - in some cases much more - has been approved than has been spent so far on various programs. They also blamed slow spending on the impacts of the COVID-19 pandemic, and how the flow of money to projects outside government - like infrastructure or home retrofits - is distributed only at the pace of those completing them.

For example, \$24.2 billion in funding has been "approved" under the Investing in Canada Infrastructure Program, and project owners will submit claims for reimbursement under this initiative after they "undertake construction and incur expenses," according to Infrastructure Canada. The government also extended the construction deadline for companies to receive this funding from 2027 to 2033, giving them another six years to spend the money.

A spokesperson for Environment Canada, meanwhile, said spending through the Low Carbon Economy Fund was delayed because of labour disruptions and supply shortages during the COVID-19 pandemic, and it extended the timeline to spend the intended \$2 billion to 2028-29 - 10 years later than originally proposed.

Former parliamentary budget officer Kevin Page, who is now executive director of the Institute of Fiscal Studies and Democracy at the University of Ottawa, said it is not uncommon for new programs to spend money slower than advertised in federal budgets, especially for infrastructure projects, because of the complexities of required planning and partnerships.

Budgets are statements of government strategy and intention, he said, and real spending doesn't always match the proposed funding they contain.

But Page still believes the gaps between budget pledges and actual spending on climate initiatives raise important questions. Among them: will the shortfalls make it harder for Canada to achieve its climate goals?

"Citizens should be interested," Page said. "What is the impact of this? Are we going to be missing targets now because ... these policies, programs and resources are not going out the door fast enough?"

Rick Smith, president of the Canadian Climate Institute, said he wasn't surprised to hear about the spending shortfalls, but that he believes the country still has time to rally behind the necessary policies to dramatically slash its emissions by 2030 - as the government has promised - and prepare Canada for the effects of climate change.

"Yes, things need to happen more quickly," he said. "But ... we can still do what needs to be done."

Since taking office in 2015, the Trudeau Liberals have placed climate action at the heart of their governing agenda. Through policies like carbon pricing and other regulations, the government has vowed to drive down Canada's emissions to meaningfully contribute to the global effort to minimize climate change, as top scientists warn time is

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running out to prevent the worst damages of the crisis. The government also argues the country should take advantage of the ensuing transition away from fossil fuels to attract and create the industries of a cleaner, low-carbon economy.

To accomplish these goals, the government has called for a huge amount of annual and private sector spending. It now counts roughly \$200 billion in "climate commitments" since the Liberals took power in 2015, a claim that reflects money it has pledged to spend by 2035.

Brouillette, with Climate Action Network Canada, said spending commitments on climate action have "substantially increased" under the Liberal government. She co-authored a report published earlier this year that called on Ottawa to crank up climate spending to two per cent of Canada's GDP, and she said pledges contained in this year's federal budget - another \$80 billion over the next 12 years on a suite of tax credits for clean technology, electricity generation and more - will get the country closer to that goal.

But Brouillette also said the Star's findings raise questions about whether the government can deliver these programs at their proposed speed and magnitude.

Not all programs the Star analyzed for this story showed gaps between what was budgeted and what was spent. The government's incentive program that gives money to people who buy zero-emission vehicles, for example, was responsible for \$609 million in spending between 2016 and 2022 - more than the \$486 million pledged by that point through the 2019 budget and fiscal update in 2020.

The Strategic Innovation Fund, introduced in the 2017 budget to finance business innovation in sectors that include clean technology, spent \$1.98 billion from 2017-18 to 2021-22, after budgets pledged \$1.95 billion would get spent during that time.

Several others initiatives, however, fell well short of the spending spelled out in various federal budgets.

Asked about these gaps, the Infrastructure Department said projects funded by such programs take "extensive planning and design to get right." Project owners also incur expenses first and then submit requests for funding to cover their costs, the department said, explaining why funding in earlier years is slower for infrastructure programs.

In 2018, the government proposed \$2 billion for a new program called the Disaster Mitigation and Adaptation Fund, which was designed to finance projects that protect infrastructure and communities from natural disasters made worse by climate change. More than \$455 million of this money was supposed to have been spent by 2021-22, according to the 2018 budget. Instead, according to reports tabled in Parliament, the government had spent \$107 million by that point - 24 per cent of what was budgeted.

The Infrastructure Department, which oversees this program, said \$340 million has now flowed to projects under the Disaster Mitigation and Adaptation Fund - still short of the scheduled funding by 2021-2022, more than a year ago - and that this amount will increase as more projects submit expenses under the program.

A bigger shortfall occurred with the Green and Inclusive Community Buildings program. The government said in 2020 it would "invest" \$1.5 billion over three years, and \$400 million of that was supposed to be spent in the 2021-22 fiscal year, according to the 2021 budget. Public Accounts show the government spent nothing on this program that year, however, and the Infrastructure Department now says only \$29 million has since gone out the door.

The Infrastructure Department's Public Transit Infrastructure Fund also spent money slower than the government proposed. The 2016 budget earmarked \$3.4 billion for this fund over the next three years, but the government later

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stretched that goal to 2020-21 - and it still fell short. Public Accounts reports show only \$2.56 billion was spent after five years, 76 per cent of the pledged funding from 2016.

The department says \$2.8 billion has now been spent under this fund, which is still \$700 million shy of what was scheduled by 2020-21.

Other departments with spending shortfalls include Transport Canada, which administers the National Trade Corridors Fund. This program is included in the government's climate spending claims, in part because it funds infrastructure projects that help Canada's transportation systems "withstand the effects of climate change." The government proposed to spend \$918 million on it by 2021-22 through the 2017 and 2021 budgets. Instead, according to spending reports, the program only used \$507 million, 55 per cent of what was intended.

A spokesperson for the Transport Department said since then a total of \$700 million has been distributed through the program and that more money hasn't yet flowed because funding is distributed based on the schedules of project proponents.

Another program that underspent was Natural Resource Canada's Emissions Reduction Fund, which provides money to help oil and gas companies reduce their emissions. In 2020, the government proposed to spend \$364 million on this fund by 2021-22, but Public Accounts show it only spent 44 per cent of that, or \$159 million, by then.

Kean Nembhard, a spokesperson for Natural Resources Minister Jonathan Wilkinson, said an unspecified portion of the funding for this program was shifted back by one year, and that project cancellations, the pandemic and the timing of financing agreements led to "variations" in the pace of expected spending.

The same department's Clean Fuels Fund, which is meant to finance projects for the production of fuels that create less emissions, only spent \$900,000 of the \$82 million that was proposed for 2021-22, according to Public Accounts. Nembhard said the delay was caused by an unexpected surge in applications for funding, so the department wasn't able to agree to start financing projects until 2022-23.

Natural Resources also spent less than expected on its Greener Home Grants program. The 2020 fiscal update proposed to spend \$421 million by 2021-22 on the initiative to help people pay for energy-efficient home retrofits. But Public Accounts show only \$73.5 million on grants and contributions to support "home retrofits" by then. That's 18 per cent of what was pledged.

When asked about this difference, Nembhard said the funding for this program is sent out as homeowners complete their retrofits and submit documents. He also said that \$262 million has been spent on these grants by now - still \$159 million short of what was forecast to have been spent already more than a year ago.

Spending on other initiatives the Star analyzed eventually hit the proposed level of funding, but years later than the government had budgeted.

Infrastructure Canada's Clean Water and Wastewater Fund, for instance, was supposed to spend \$1.46 billion to improve water systems during the 2016-17 to the 2017-18 fiscal years.

But spending reports say only \$428 million was spent during this time, 29 per cent of what was intended. Instead of taking two years, it took five to spend the proposed \$1.46 billion through this fund, the reports say.

About \$1.8 billion has been spent through this program to date, according to the infrastructure department.

Outside of these programs, spending on many initiatives was difficult, if not impossible, to track. Some programs announced in budgets aren't named in annual spending reports.

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To Page, it should be much easier to track how much the government spends and compare it with what was pledged through budgets.

"It shouldn't be that hard to track down this information," he said. "If it's not accessible, how do we hold the government to account?"

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